

Message Text

CONFIDENTIAL

PAGE 01 JIDDA 06225 272101Z

73

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

----- 014665

R 271400Z OCT 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 9051

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L JIDDA 6225

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA, US

SUBJECT: SAUDI MISSION TO TEHRAN, KUWAIT AND ALGERIA

REF: A) JIDDA 6053; B) JIDDA 5964; C) LONDON 17965 (NOTAL)

D) JIDDA 5858

1. AHMED ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM HAS TOLD ME OF PRINCE SAUD'S VISITS TO TEHRAN AND KUWAIT
2. THE SHAH SAID THERE WAS MERIT IN THE SAUDI PROPOSAL BUT ASKED THAT HIS PLAN BE CONSIDERED, I.E., THE UNIFORM PRICE FOR OIL IN OPEC (WITH QUALITY AND TRANSPORTATION DIFFERENCES TAKEN INTO ACCOUNT). THIS NEW "SELLING PRICE" WOULD BE SUBSTANTIALLY LOWER THAN THE PRESENT POSTED PRICE, AND WOULD BE SET TO GIVE THE OPEC GOVERNMENTS THE SAME INCOME AS THEY ARE GETTING TODAY. (THIS WOULD MEAN THAT THE SELLING PRICE WOULD BE AROUND \$9.70/BBL.) THE SHAH SAID IF THE SAUDIS WOULD AGREE TO THIS PROPOSAL HE (THE SHAH) WOULD AGREE TO FREEZE OIL PRICES FOR ONE YEAR. INCREASES IN OIL PRICES THEREAFTER WOULD BE TIED TO SOME WORLD INDEX FOR MANUFACTURED GOODS IMPORTED BY OPEC.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JIDDA 06225 272101Z

3. THE MAJOR OIL COMPANIES WHO NOW HAVE CONCESSIONS WOULD BE FORCED TO COMPETE WITH OTHER BUYERS FOR THE OIL, WOULD PAY THE SAME PRICE AS THE OTHER BUYERS WITH A POSSIBLE 5 CENT/BBL. DISCOUNT FOR THEIR SERVICES IN OPERATING THE OILFIELDS.

4. KUWAIT REJECTED THE SAUDI PLAN, SAID YAMANI, BUT MIGHT ACCEPT THE IRANIAN COUNTERPROPOSAL PROVIDED THE SELLING PRICE WERE AT OR NEAR THE PRESENT POSTED PRICE (I.E. A DOLLAR HIGHER THAN THE SHAH'S IDEA).

5. THE ALGERIANS, YAMANI SUSPECTED, WOULD TAKE A POSITION VERY CLOSE TO THAT OF KUWAIT. BOUMEDIENE HAD SENT A LETTER TO THE KING ON OIL MATTERS BUT YAMANI HAD NOT SEEN IT AND VERY LIKELY WOULDN'T UNTIL THE KING RETURNS FROM RABAT.

6. YAMANI SAID THE SHAH'S PROPOSAL WOULD BE TANTAMOUNT TO NATIONALIZATION. IT WOULD THEREFORE HAVE CONSIDERABLE APPEAL IN IRAN WHICH IS MOST CAPABLE OF ANY OPEC COUNTRY OF RUNNING ITS OWN OIL INDUSTRY OR IN KUWAIT WHERE RESERVES ARE WELL DEFINED AND PROSPECTS OF FINDING NEW OIL ARE CLOSE TO ZERO. BUT IT WOULD NOT BE SUITABLE IN SAUDI ARABIA WITH ITS LARGE RESERVES AND ITS EVEN LARGER POTENTIAL. SAUDI ARABIA WOULD NEED TO WORK OUT SOME PLAN FOR KEEPING THE MAJOR OIL COMPANIES IN SAUDI ARABIA HAPPY. (HE REPEATED HIS ACCUSATIONS THAT THE COMPANIES ARE SITTING BACK AND WAITING FOR THE AX TO FALL AND THAT SAUDI ARABIA WILL FOLLOW THE OTHER OPEC COUNTRIES IN THE FULF IF THE COMPANIES HAVE NOT RPT NOT WORKED OUT A NEW ARRANGEMENT WITH THE SAG BEFOREHAND.
AKINS

NOTE BY OC/T: EXDIS CAPTION ADDED PER S/S-O, MS. MATTESON.

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES, MINISTERIAL VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 OCT 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JIDDA06225
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740307-0352
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741012/aaaaajvo.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: A) JIDDA 6053; B) JIDDA 5964; C) LON, DON 17965 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 01 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 MAY 2002 by boyleja>; APPROVED <11 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SAUDI MISSION TO TEHRAN, KUWAIT AND ALGERIA
TAGS: ENRG, SA, US, IR, KU, AG, (SAUD, PRINCE)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005